



## AUDIT & FINANCE COMMITTEE MINUTES

February 22, 2010

The Audit & Finance Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on February 22, 2010 at 4:03 p.m.

### COMMITTEE PRESENT

Scott Somers, Chairman  
Dina Higgins  
Kyle Jones

### COMMITTEE ABSENT

Christopher Brady, Ex-Officio

### STAFF PRESENT

Bryan Raines  
Debbie Spinner

#### 1. Items from citizens present.

There were no items from citizens present.

#### 2. Hear a presentation discuss and make a recommendation on adjustments to various fees and charges as proposed by the Parks, Recreation and Commercial Facilities Department.

Deputy City Manager Bryan Raines introduced Mark Heirshberg, the City of Mesa's new Parks, Recreation and Commercial Facilities (PRCF) Department Director. He stated that staff would present the recommended changes to fees and charges for certain services provided by the PRCF Department for the FY 2009/10 and FY 2010/11 Schedule of Fees and Charges.

Assistant PRCF Department Director J.D. Dockstader displayed a document (**See Attachment 1**) and noted that relative to the Commercial Facilities, minor wording changes were made to the Schedule of Fees and Charges in order to provide greater clarity. He also explained that wireless internet connectivity is now available at the Mesa Convention Center and said that a new fee (\$150 to \$250) has been proposed to cover those costs.

Mr. Dockstader reported per the direction of Council, Mesa Police Department off-duty officers would provide security services, if necessary, at Hohokam Stadium and Fitch Sports Fields. He stated that the amount of this new fee, which is dependent upon the rank of the officer providing the service, would be passed on by the City to the client hosting the event.

In response to a question from Committeemember Higgins, Mr. Dockstader clarified that off-duty police officers would provide security outside the Amphitheatre, while E-staff would assume similar duties inside the facility.

Assistant PRCF Director Mike Holste highlighted the proposed changes to fees and charges for Parks and Recreation. **(See Attachment 2)** He stated that it was recommended that a new Non-resident fee, which is an estimated 20% increase of the current fee schedule for Competitive programs and Aquatic lessons, be established. Mr. Holste explained that a Mesa resident would pay \$60 for any one of the Competitive programs as compared to \$72 for a non-resident, and \$21 for Aquatic lessons versus \$25 for a non-resident.

In response to a series of questions from Committeemember Higgins, Mr. Holste clarified that the Public Swim program would not be affected by the Non-resident rate because of the difficulties staff would encounter in obtaining proof of residency from the non-resident swimmers. He explained that staff determined that it was appropriate to implement the Non-resident rate for the Competitive programs and Aquatic lessons because participants in those activities register online and include a billing address. Mr. Holste added that staff could research the possibility of offering a Family pass to non-residents for the Public Swim program.

Mr. Raines further noted that the City does not encounter “a capacity issue” with the Public Swim program as compared to certain Competitive programs. He added that the proposed Non-resident fee would provide an advantage to Mesa residents to participate in City programs over non-residents.

Chairman Somers stated that when Mesa residents drop off items at a hazardous waste collection event, they are required to show identification that they are, in fact, Mesa residents. He inquired if a similar process could be implemented for the Public Swim program.

Mr. Raines responded that staff would be happy to follow up on Chairman Somers’ suggestion. He also reminded the Committee that the Council previously directed that staff review the fees for the Competitive programs and Aquatic lessons in greater detail.

Chairman Somers stated that if the Committee wished to explore the issue of Public Swim further, it might be appropriate for the full Council to consider the matter.

In response to a question from Committeemember Higgins, Mr. Holste stated that the Aquatics Program is recovering approximately 30% to 40% of its costs.

Committeemember Higgins commented that although the recommended Non-resident fee would result in an estimated 20% increase over fees charged to Mesa residents, she remained concerned that the City is subsidizing non-Mesa residents.

Mr. Raines responded that in previous discussions with the Council, staff was directed to focus on achieving 20% cost recovery of the Aquatics Program. He explained that it is one of the PRCF Department’s lowest cost recovery programs due to the significant costs associated with the operations and maintenance of the pools.

Extensive discussion ensued relative to the fact that with the establishment of a new Non-resident fee, the City would achieve an estimated 20% cost recovery on Competitive programs

and Aquatic lessons; a comparative analysis of current and proposed fees for the Aquatics Program (See Page 1 of Attachment 2); that the proposed fees would be within a range to give staff the flexibility to change them as needed due to the economy and cost recovery; that the recommended fees and charges for the Competitive programs and Aquatic lessons are structured in such a manner that the direct staffing costs associated with such activities are covered, but not the capital costs related to the pools; and that staff would bring back a full analysis of direct and indirect costs not only on the above-listed items, but also other PRCF Department programs.

Committeemember Jones stated that the resident and non-resident costs related to the Competitive programs and Aquatic lessons previously cited by Mr. Holste cover the direct staffing costs but none of the costs associated with maintaining the pools.

Mr. Holste stated that he would be happy to provide the Committee additional information regarding the direct and indirect costs per program.

Mr. Raines assured the Committee that staff would review the proposed fees and charges for Competitive programs and Aquatic lessons on an annual basis. He explained that staff wanted to present the recommended fees and charges to the Committee at this time due to the fact that registration for summer classes begins in April. Mr. Raines added that staff is currently unaware of whether the surrounding communities would charge higher fees to their residents and said that if such fees were increased, Mesa's proposed Non-resident fee might be significantly less.

Mr. Heirshberg advised that in response to questions posed by the Committeemembers today, he intends to research how to technologically track resident versus Non-resident fee differentials in journal entries. He said he would also assess the impact of the proposed 20% Non-resident rate this summer season as it relates to cost recovery not only with regards to the Aquatics Program, but Adult Sports and other programs as well.

Chairman Somers requested that staff's analysis also include the City's cost of fees and charges for 100% cost recovery of the Competitive programs and Aquatic lessons, but not the utility costs at the City's pools, which are incurred by Mesa Public Schools.

Mr. Holste continued with his presentation and reported that with regard to swim punch tickets, Public Swim and family passes, staff recommends the establishment of a fee range rather than a periodic fee increase. He also reported that a new senior rate for Public Swim is recommended in order to provide a discounted fee for participants 55 years of age and older. Mr. Holste added that staff further recommends establishing a fee range structure for bandshell and bleacher rentals to accommodate uses by City departments, non-profit organizations and commercial usage.

It was moved by Committeemember Jones, seconded by Committeemember Higgins, to recommend to the Council that the adjustments to various fees and charges as proposed by the Parks, Recreation and Commercial Facilities Department, be approved.

Carried unanimously.

3. Hear a presentation, discuss and provide direction on the following audits:

a. Review of City Attorney Risk Management Process

Interim City Auditor Jennifer Ruttman reported that this item is a follow-up review of a March 2009 audit of the City Attorney Risk Management Process, at which time one Corrective Action Plan and recommendation was identified. She explained that the recent audit revealed that the corrective changes to the Risk Management process have been implemented and are being followed.

b. Review of Credit Card Security

Ms. Ruttman indicated that the City Auditor's Office, in conjunction with the Information Technology Department (ITD), conducts an annual review of the City's compliance with the Payment Card Industry's Data Security Standard (PCI DSS). She stated that the City has implemented a plan to be compliant with PCI DSS in order to maintain a lower level of fees for its credit card transactions.

Ms. Ruttman advised that the review focused on the credit card handling operations that take place outside of the City's ITD infrastructure, which included ensuring that the necessary procedures were in place in order to be compliant with PCI DSS and also minimizing the amount of credit card information that the City stored. She reported that several recommendations were made relative to the procedures that were in development and said that most departments have submitted their procedures for approval to the Accounting Division.

In response to a question from Chairman Somers, Ms. Ruttman clarified that Mesa's failure to comply with the PCI DSS, which would cause security breaches, could result in significant fines being levied against the City.

c. Engineering Contract Monitoring Process

Ms. Ruttman introduced Senior Internal Auditor Jerry Faccone, who conducted the audit of the Engineering Department's contract monitoring process. She explained that Mr. Faccone found isolated instances in which proper procedures were not followed, but noted that it was the opinion of the City Auditor's Office that such instances did not reflect on the overall process of contract monitoring within the Engineering Department, which was deemed to be quite adequate.

Ms. Ruttman advised that the Engineering Department prepared a lengthy response to the findings and implemented various processes to ensure that the above-referenced instances do not reoccur. She added that a follow-up audit of this item would be conducted in 12 months to assess whether the Corrective Action Plans were implemented.

d. Payroll

Ms. Ruttman reported that this item was an audit of the City's payroll process, which resulted in 12 Corrective Action Plans (CAPs). She explained that the auditor found that the process has not developed over time and procedures have not been implemented to ensure that payroll transactions were accurate. Ms. Ruttman stated that the limited number of Payroll staff

members, as well as the ITD staff members that support them, have done a commendable job administering payroll with the tools available to them.

Ms. Ruttman advised that the CityEdge financial system replacement project has identified the Timekeeping System as a core module to be immediately replaced within the first phase of implementation and that the Payroll System, which was identified as a non-core module, would be replaced in a future phase of implementation. She stated that she was hopeful that the new Timekeeping System could be integrated with either the current or new Payroll System in order to improve the process. Ms. Ruttman also noted that it was important for Payroll to improve certain internal procedures.

Discussion ensued relative to the City's Timekeeping System, which is currently located on an antiquated mainframe system; that it was anticipated that the mainframe system would be eliminated, resulting in a new web-based Timekeeping System; that the City's Peoplesoft Payroll System was implemented in the late 1990's and upgraded in 2009; and that the replacement of the Timekeeping System would allow the City to take advantage of more features within Peoplesoft.

In response to a question from Committeemember Jones, Ms. Ruttman stated that it has been a major undertaking for staff to establish the necessary procedures and processes to correct certain control issues that were found during the audit. She noted that the City Auditor's Office is aware of those efforts and would conduct a follow-up audit in 9 to 12 months.

Chairman Somers thanked staff for the presentation.

#### 4. Adjournment.

Without objection, the Audit and Finance Committee meeting adjourned at 4:41 p.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Audit & Finance Committee meeting of the City of Mesa, Arizona, held on the 22<sup>nd</sup> day of February 2010. I further certify that the meeting was duly called and held and that a quorum was present.

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LINDA CROCKER, CITY CLERK